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PARTNERING BETWEEN GOVERNMENT AND INDUSTRY,
AN ACQUISITION REFORM INITIATIVE

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Abstract

The diminishing use of technical Military Specifications (Mil-specs) and the increased emphasis on performance based requirements due to acquisition reform has limited technical communication between government and industry. Partnering is a technique that has risen out of Integrated Process and Product Development (IPPD) that can assist in filling this gap. Partnering is an extension of the Integrated Product Team (IPT) concept outlined in Department of Defense Regulation 5000.2-R, dated March 15, 1996. It is being used by the Theater High Altitude Area Defense (THAAD) Project Office to develop their request for proposal and awarding of their contract for engineering, manufacturing and development of the THAAD system. To date partnering is an informal process which is not directly regulated or governed by policy from DoD, but it embodies all the structure and guidance which has been provided regarding the formulation and execution of IPTs. Partnering will enhance communication between government and industry and through what is now known as performance based requirements industry can use commercial products and best practices to meet the governments need.

Background

Problem

A major objective of recent acquisition reform initiatives is to field a superior warfighting capability more quickly and more affordably. To help accomplish this objective the requirement to use existing military specifications (Mil-specs) for design, structure and building of military hardware was replaced with the guidance to use commercial products and best practices whenever possible. However, to ensure that using commercial products and best practices in lieu of Mil-specs supports this objective government and industry must now enter into a detailed technical dialogue. This dialogue was not as critical when technical specification requirements were spelled out in Mil-specs. An informal means of communication called "Partnering" has emerged between government and industry to help solve this problem.

The Partnering Concept

Acquisition Themes

The concept of partnering between government and industry, as viewed today, has its roots in a Department of Defense (DoD) Memorandum, Subject: Update of the DoD 5000 Documents, dated March 15, 1996 signed by Dr. Paul Kaminski the Under Secretary of Defense (Acquisition & Technology), Dr. Philip Coyle, Director, Operational Test and Evaluation and Mr. Emmett Paige Jr. Assistant Secretary of Defense (Command, Control, Communications & Intelligence).

The memorandum discussed the major themes of acquisition reform; Teamwork, Tailoring, Empowerment, Cost as an Independent Variable (CAIV), Commercial Products and Best Practices which formed the foundation from which DoD Directive 5000.1, Subject: Defense Acquisition, dated March 15, 1996 and DoD Regulation 5000.2-R, Subject: Mandatory Procedures for Major Defense

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Acquisition Programs (MDAPS) and Major Automated Information System (MAIS) Acquisition Programs, dated March 15, 1996 were developed.

Although the above directive and regulation were written to guide DoD personnel in the execution of the acquisition process these documents clearly embrace through "the theme of teamwork" all participants (government and industry) in the acquisition process working together as a team, "partnering".

Teamwork

DoD 5000.2-R defines Integrated Product and Process Development (IPPD) as a management technique that integrates all essential acquisition activities through the use of multidisciplinary teams to optimize the design, manufacturing and supportably processes. One of the key IPPD tenets is multidisciplinary teamwork through Integrated Product Teams (IPTs). These multidisciplinary teams may be made up of both government and industry. This is illustrated in Part 1, 1.6 of DoD 5000.2-R which provides guidance for including representatives other than government personnel to participate in the Integrated Product Team process.

Defining Partnering

The Partnering Process

Partnering is not a formal, directed process defined by government or DoD directives and regulations. It is a process that has grown out of innovative and dedicated personnel who desire to capitalize on the opportunities that recent acquisition reform initiatives have provided.

One of the best definitions of partnering is found in a Department of the Army Briefing entitled "The Partnering Initiative". Partnering is defined in this briefing as a commitment between two or more organizations for the purpose of improving communications and avoiding disputes accomplished through an informal process. The resultant effort

of this initiative is a quality product on time, at a reasonable rate.

A successful partnering structure encompasses several key elements.

- Commitment,
- Trust & Open Communication,
- Mutual Goals & Objectives,
- Continuous Evaluation, and a
- Win-Win Philosophy

These elements must be adhered to by both government and industry if partnering is to be successful. However, for these key elements to be successful government and industry must fully understand they have to be executed in an environment that does not consider partnering to be:

- Mandatory,
- Legally Binding,
- A Panacea,
- A One Way Street,
- Successful Without Total Commitment, and
- Contrary to Government Business Interests

Partnering Provisions

The environment mentioned above, also with the desire by all parties to adhere to the key success elements it may be necessary to develop some key provisions which will establish the framework for partnering between government and industry. Provisions may need to be established, as an example, to clearly outline cost responsibilities associated with partnering and that the partnering process does not constitute any legally enforceable rights or duties. Sample provisions covering these two areas are stated below.

"In an effort to most effectively accomplish this contract the government proposes to participate in a concept called "partnering" with the contractor and his subcontractors. This cooperative would strive to draw on the strengths of each organization in an effort to achieve a quality project the first time, within budget and on schedule. This effort would be bilateral in make-up and

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participation will be totally voluntary. Any costs associated with executing this partnering effort will be agreed to by the parties and will be shared equally with no change in contract price. Accordingly the contractor shall not include costs associated with this partnering effort as part of his contract, nor will such costs be allowable under the contract."

"It is noted that this partnering effort conveys no legally enforceable rights or duties. Any changes to the contract must be made by the contracting officer under the terms of the written contract. Rather, the partnering concept is a team relationship that promotes the achievement of mutually beneficial goals. This partnering effort will be governed by the principles and procedures set forth in: (state any organizational guidance pertaining to establishing partnering which may cover this provision.)

Getting Partnering Started

Partnering should not be conducted in an unstructured environment. As the definition of partnering points out it is conducted as an informal process. However informal or formal the process it does bring some degree of structure to the participants. This process may best be defined through the establishment of a joint workshop between the participants. The workshop would identify common goals and objectives between the parties. These goals and objectives would ensure that the cost, schedule and performance objectives of the product being produced are met. The responsibilities and authorities of each party would clearly be defined. Communication lines would be defined and established to ensure all participants are kept adequately informed in a timely manner. Conflict areas should be identified so work can begin on how to resolve them or work with them before they occur. A problem solving process should be established to address conflicts an issues. Methods for evaluating success of the partnering initiative should be established to ensure it maintains value

added to developing the product. Last but not least a partnering charter should be established which clearly defines the partnering initiative being undertaken to include the results of the joint workshop.

Implementing Partnering

An Example of Acquisition Reform

On March 17, 1997 the USD(A&T) sponsored the second in a series of days which the acquisition community takes time out to address acquisition reform and the progress being made. The Ballistic Missile Defense Organization (BMDO) hosted a Panel Discussion entitled "Acquisition Reform II". A major topic addressed by Colonel Louis Deeter, THAAD (Theater High Altitude Area Defense) Project Manager and Mr. John H. Little THAAD Program Director for Lockheed Martin Missile Systems (LMMS) was "THAAD Sole Source Partnering for Engineering and Manufacturing Development (EMD)".

Their initial analysis of sole source partnering benefits were that it:

- Promoted Trust and Communication,
- Promoted Understanding of the Requirement,
- Provided for information flow that was organized and continual rather than iterative,
- Reduced proposal preparation, evaluation and contract development time,
- Promoted a Win-Win Environment, and
- Provided opportunities to reduce overall program cost.

The benefits of partnering pointed out by Colonel Deeter and Mr. Little verify the elements of partnering proffered by the Army and discussed earlier in this paper.

THAAD's Sole Source Partnering Process

THAAD's EMD Sole Source Partnering Process, as explained by Colonel Deeter and Mr Little, consisted of four distinct phases.

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- Phase I: Requirements Generation and Solicitation Preparation.
- Phase II: Proposal Preparation.
- Phase III: Evaluation Process, and
- Phase IV: Negotiation and Documentation Review.

A look at how they utilized partnering in the conduct of these phases and the benefit gained is helpful to understanding the use of partnering in the acquisition process. The guiding objective they used for the entire process was to get "What You Want, On Schedule, and Within Cost" through a "Good Contract". The principle partner's included the THAAD Project Office (TPO), Defense Contract Management Command (DCMC), Defense Contract Audit Agency (DCAA), and Lockheed Martin Missile Systems and their subcontractors.

Phase I, Requirements Generation and Solicitation Preparation:

Partnering initiatives in Phase I were primarily among the government members of the team with industry participation limited to assisting in planning the request for proposal (RFP) comments and assisting in the development of the Integrated Product and Process Management (IPPM) and Integrated Product and Process Development (IPPD) Plan for EMD. The IPPM/IPPD process brought about innovative products in support of the proposal process. Its in the development of these innovative products that partnering took place. With the support of these products the traditional Request For Proposal (RFP) was able to be streamlined. The Statement of Work (SOW) was performance based with Mil-specs/standards reduced significantly, and Contract Deliverable Requirements Lists (CDRLs) were reduced from 304 to 21. The Work Breakdown Structure (WBS) was streamlined and explained in greater detail with the use of the Integrated Master Plan (IMP).

By having industry and other government agencies participate in the IPPM/IPPD plan the partnering team was able to establish a draft IPPM/IPPD process, a subcontractor support plan and a Contractor Integrated Technical Information Service (CITIS) plan that was acceptable to all parties for managing, establishing accountability and reporting of government, contractor and subcontractor information. During this phase emphasis was placed on early contractor involvement in planning Request for Proposal (RFP) comments. The contractor was able to provide feedback on the Statement of Work (SOW) and section L of the RFP.

Also during this phase the government developed a Draft Integrated Master Plan (IMP) which outlined events required to take place during the contract. The IMP included significant accomplishments and the criteria required for each event. This was a government only developed document. However, the contractor as a partner was able to work with the government in the development of an Integrated Master Schedule (IMS) accomplishing each event in the IMP.

In addition, to early contractor involvement government agencies such as DCAA and DCMC were involved early on for cost analysis support. DCAA was able to provide a rate check for proposed cost and an audit of the government cost estimate. DCMC through the Administrative Contracting Officer (ACO) provided technical evaluation of the proposal in preparation for future contract initiatives.

The partnering concept used by THAAD during Phase I of the EMD contract preparation process was distinctly different from the traditional way of conducting the requirements/solicitation preparation process. In the past this process was exclusively performed by the government, without contractor and ACO involvement. This accounted for a longer more expensive preparation time because proposal review comments and cost analysis support was

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done in serial, after the program office had developed a complete draft proposal.

The significant lessons learned during this phase were:

- Early Contractor Involvement Reduces Program Issues & Disconnects,
- Partnering Team Concept is Effective
- Shoulder-to-Shoulder Planning is Reducing Product Development Time.

Phase II - Proposal

Preparation:

Products prepared during this phase were centered on formalizing and finalizing those begun in Phase I.

The contractors preparation of the proposal included formalizing the IPPM/IPPD Implementation Plan which included defining the IPPM/IPPD Process), CITIS support plan , a Subcontractor Plan and development of a Pricing Plan. The contractors Integrated Technical/Management Proposal included the Integrated Master Plan (IMP), development IMP Process Narratives which defined configuration management and product assurance processes, and formalization of the Integrated Master Schedule (IMS) which supported the IMP. In addition a formal incentive and award fee plan was developed.

These products were not developed by industry alone. Partnering teams between government and industry (including subcontractors) were established to increase understanding of what should be in the proposal.

Through innovative processes such as the Integrated Technical/ Management Proposal outlined above and the early activities in Phase I of DCMC and DCAA the contractor was able to provide realistic cost estimates from the beginning and incentives were addressed up front.

Development of the proposal preparation products outlined above showed that the IPPM/IPPD Implementation Plan was an effective approach and concept for coordination

and the IMP and IMS are effective integrated engineering and management tools. It was through the concept of Partnering that the communications could exist between government and industry that allowed their development resulting in industry being able to submit a proposal that will be more realistic and most important meets the governments needs.

Phase III - Proposal

Evaluation Process:

The proposal products to be submitted by industry for evaluation include the Technical/Management Proposal which includes the IMP (Narratives and Support Plans), the IMS and a Cost Proposal which includes detailed pricing data, a detailed manloading profile and an incentives and award fee plan.

The evaluation process focuses on the Project Contracting Officer (PCO) reviewing the products for compliance, a modified project office proposal evaluation process and the PCO developing a negotiation position. This process differs from the traditional evaluation process in that a long technical evaluation process is not required as government and industry have been working hand in hand through the IPPM and IPPD to ensure all technical aspects of the program were included. Normally DCMC and DCAA reports and audits are done sequentially. However, in this case they were a part of the partnering team up front and assisted in providing cost analysis support which will allow the evaluation team to better understand and assess the contractors cost proposal. Traditionally the contractor is kept at arms length through the evaluation process. However, one of the innovative products to be used during the evaluation process is preliminary development of EMD CITIS implementation. This allows for exchange of information between partners which participated in the overall EMD proposal development process within recognized constraints so as not to impair or taint the evaluation process.

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Through partnering the evaluation team will have a better understanding of the effort at hand, the team approach promotes continuous information flow and utilization of CITIS will be very effective for proposal evaluation.

Phase IV - Contract Process:

The last phase of the sole source partnering initiative is to negotiate, sign and execute the EMD contract. Under traditional circumstances this could be a long drawn out process.

Contract negotiations themselves can be time consuming and complex when differences between government and industry develop at the last moment. The innovative products developed by THAAD during the proposal process plus the partnering with industry from the very beginning has helped to potentially alleviate many of these problems.

Development of the contract and the documentation required may also be a long and complex process. However, this process will be significantly shortened with the innovative products used in preparation and development of the final proposal. With specifications being performance based, CDRLS significantly reduced in numbers and the IMP and IMS completed and coordinated between industry and government the time frame for preparing contractual documents has been significantly shortened.

THAAD Sole Source

"Partnering" Summary:

Colonel Deeter and Mr. Little pointed out in their presentation that THAAD has a win-win environment as a result of the Partnering Process. Partnering has allowed innovations to happen through the development of innovative processes and products, information flow was well thought out, organized and continual rather than interactive and last but not least Partnering has promoted trust and communication within the THAAD community.

Partnering Concerns

Traps Implementing Integrating Product and Process Management (IPPM):

In support of Integrated Process and Product Development (IPPD), as defined in DoD 5000.2-R, with the use of Integrated Product Teams (IPTs) and Partnering initiatives with industry the Army's Army Material Command (AMC) in publication AMC-P 70-27—Volume 1. Guidance for Integrated Product and Process Management—Concept Implementation, dated 15 March 1996 established an IPPM concept to support IPPD. Their IPPM concept points out traps that IPTs and Partnering initiatives which support the IPPM process may fall into if not careful.

The IPPM concept requires an up-front commitment of resources that may be greater than what is required for the sequential process. This should reduce the down stream resource needs. If management is unable to commit to those resources then IPPM benefits will be hindered.

Team training is vitally important because without it the IPT or Partnering team may not be effective. All participants must fully understand the process and their responsibilities as an individual representing a specific agency and their team responsibilities.

All team members need to view themselves as equals in order to be free to speak out and express their views. If this is not the case the integrated part of the process will fail.

If team leadership is to evolve as the product progresses through the acquisition cycle it should be clarified early on. Leadership should be consistent with the function that has primary interest at that phase of the life cycle.

A series of "approved, recommended, or best practices" for applying IPPD should not be contractually imposed. These practices will become standards by implication and contractors will be hesitant to deviate from them for fear of being found

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contractually non-responsive. The contractor should already have established an IPPD culture and should not need steps for implementation.

Summary

Partnering between government and industry supports acquisition reform and is currently in its infancy. The Department of Defense leadership has provided the tools to conduct partnering through the restructuring of the acquisition process, from documentation

requirements to the establishment of IPTs as a tenet of IPPD. THAAD has shown that effective partnering can lead to a more streamlined proposal preparation and evaluation process that reduces time and cost and leads to contract award with minimum obstacles. Partnering enhances communication between government and industry and provides for a better understanding of the governments technical requirements and the technology available from industry to meet the requirements.

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